STATE OF ARIZONA FILED

STATE OF ARIZONA

MAR 5 1996

DEPARTMENT OF INSURANCE

DEPARTMENT	OF INSURANCE
By	OF INSURANCE

In the Matter of:)	Docket No.	96A-018-INS
MHN REINSURANCE COMPANY OF ARIZONA (NAIC No. 89429),)		
Insurer,)	ORDER	
by)		
FOUNDATION HEALTH CORPORATION,)		
)		

Petitioner

On March 4, 1996, the Office of Administrative
Hearings, through Administrative Law Judge Lewis D. Kowal
submitted "Recommended Order Approving Acquisition", a copy of
which is attached and incorporated by this reference. The
Director of the Arizona Department of Insurance has reviewed the
proposal and recommendation, and enters the following order:

- 1. The acquisition of control of the Insurer by the Petitioner is approved subject to the express conditions as follows:
- a. Petitioner shall submit to the Department supplemental fingerprint cards for the individuals listed in paragraph 6 of the Findings of Fact and updated biographical affidavits for the individuals listed in Paragraph 7 of the Findings of Fact as soon as practicable but not later than 120 days from the date of the Order issued in this matter by the Director.

- 4. Until further notice, the Insurer shall file quarterly financial statements with the Department following the effective date of the acquisition.
- 5. The Petitioner and/or Insurer shall promptly remit payment of all expenses incurred as a result of the proposed acquisition to the Insurance Examiners' Revolving Fund.
- 6. Upon consummation of this acquisition, the Insurer shall file its registration statement in the form prescribed by A.R.S. §20-481.10 and within the time period prescribed by A.R.S. §20-481.09 or §20-481.13. If the registration statement would duplicate the information previously submitted by the Petitioner in the statement filed with the Department pursuant to A.R.S. §20-481.03 and there have been no material changes since the filing of that statement, then the Insurer shall submit a statement to that effect incorporating by reference the statement previously filed with the Department in lieu of the registration statement.

NOTIFICATION OF RIGHTS

The aggrieved party may request a rehearing with respect to this Order by filing a written petition with the Office of Administrative Hearings within 30 days of the date of this Order, setting forth the basis for such relief pursuant to A.A.C. R20-6-114(B).

The final decision of the Director may be appealed to the Superior Court of Maricopa County for judicial review pursuant to A.R.S, §20-166.

IN THE OFFICE OF ADMINISTRATIVE HEARINGS

MAR 4 1996

In the Matter of the Acquisition of Control of

MHN REINSURANCE COMPANY OF ARIZONA (NAIC No. 89429),

Insurer,

by

FOUNDATION HEALTH CORPORATION,

Petitioner.

No. 96A-018-INS Office of Adminis

RECOMMENDED ORDER
APPROVING ACQUISITION

On March 1, 1996, a hearing took place at the Arizona Department of Insurance, 2910 North 44th Street, Suite 210, Phoenix, Arizona, to consider the application for the acquisition of control of MHN Reinsurance Company of Arizona (the "Insurer"), NAIC No. 89429, filed by Foundation Health Corporation (the "Petitioner"), with the Arizona Department of Insurance (the "Department"), and for approval of Petitioner as the controlling person of the Insurer pursuant to the provisions of A.R.S. §§20–481 through 20–481.23, and A.A.C. R20–6-1402.

Based upon the entire record in this matter, including all pleadings, motions, testimony and exhibits admitted during the hearing of this matter, Administrative Law Judge Lewis D. Kowal has prepared the following Recommended Findings of Fact, Conclusions of Law and Proposed Order for consideration by the Director of the Department ("Director"):

FINDINGS OF FACT AND CONCLUSIONS OF LAW

- 1. The Insurer is a domestic insurer as referred to in A.R.S. §20-481.02.
- 2. The Petitioner has filed a statement as referred to in A.R.S. §§20-481.02 and 20-481.03, in the form required by A.A.C. R20-6-1402.
- 3. The Insurer and its security holders waived the ten (10) day advance notice to be given as required by A.R.S. §20-481.07.
- 4. No evidence has been produced at the hearing that would indicate or form the basis for a finding that the Petitioner's acquisition of control of the Insurer:

Office of Administrative Hearings 1700 West Washington, Suite 244 Phoenix, Arizona 85007 (602)-542-9826

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David A. Boggs
Earl B. Fowler
Richard W. Hanselman
Frank A. Olson
Richard W. Stegemeier
Raymond S. Troubh
Ross D. Henderson, M.D.

Officers of Foundation Health Corporation

Daniel D. Crowley, Chairman, President and Chief Executive Officer Steven D. Tough, President and Chief Operating Officer of Governmental Operations

Jeffrey L. Elder, Senior Vice President and Chief Financial Officer Kirk A. Benson, President and Chief Financial Officer of Commercial Operations

Allen J. Marabito, Senior Vice President, General Counsel, Secretary

Proposed Directors after Acquisition

Jeffrey L. Elder Kirk A. Benson Maurice A. Costa Jeffrey Bairstow David Buhler

- 7. At the hearing, the Department represented that Petitioner has not submitted to the Department updated biographical affidavits for Maurice A. Costa, Jeffrey Bairstow and David Buhler.
- 8. The interests of policyholders, shareholders or the public will be served by the publication of all information, documents and copies, relating to the Insurer and Petitioner, and obtained by or disclosed to the Director, or any other person in the course of a filing, an examination, or investigation made pursuant to A.R.S. §§20–481.03, 20–481.10 and 20–481.20.
- 9. The Department has incurred examination expenses pursuant to A.R.S. §20-481.02(C).
- 10. At the hearing, the Department represented that the Form A filing of the Petitioner is complete and in compliance with the laws of the State of Arizona and recommended approval of the acquisition of the Insurer by Petitioner.

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- 5. The Petitioner and/or Insurer shall promptly remit payment of all expenses incurred as a result of the proposed acquisition to the Insurance Examiners' Revolving Fund.
- 6. Upon consummation of this acquisition, the Insurer shall file its registration statement in the form prescribed by A.R.S. §20-481.10 and within the time period prescribed by A.R.S. §20-481.09 or §20-481.13. If the registration statement would duplicate the information previously submitted by the Petitioner in the statement filed with the Department pursuant to A.R.S. §20-481.03 and there have been no material changes since the filing of that statement, then the Insurer shall submit a statement to that effect incorporating by reference the statement previously filed with the Department in lieu of the registration statement.

DATED this 4th day of March, 1996.

OFFICE OF ADMINISTRATIVE HEARINGS

LEWIS D. KOWAL

Administrative Law Judge

COPY of the foregoing mailed/delivered this LHW day of March, 1996, to:

Chris Herstam, Director Arizona Department of Insurance 2910 North 44th Street, Suite 210 Phoenix, AZ 85018

Chris Crawford